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Ethical Behavior in the Midst of Fraud

Reprinted with permission from the Fall 2015, Volume 30, Number 4 issue of The Bottomline, the journal of Hospitality Financial and Technology Professionals. Learn more at www.hftp.org.

You may know the difference between right and wrong behavior and never would consider committing fraud. But how do you maintain the highest level of professional conduct as it relates to fraudulent behaviors in others or when fraud is suspected?

A great place to start is the HFTP ethics policy, which guides members on topics such as confidentiality, objectivity, and professional competence. It's important for professionals in the hospitality industry to set the right tone related to the tolerance of fraudulent behavior, know when to act when fraud is suspected, understand your role in an investigation, and respond appropriately to known frauds.

SETTING THE TONE AT THE TOP

An effective way to begin protecting your organization is by setting the right tone at the top with an ethics policy tailored to your operations. The HFTP ethics policy addresses professional competence to include performing the duties of your position and supervising the work of subordinates with the highest degree of professionalism. Each property can improve its level of professionalism by creating an ethics policy specific to its organization. This helps send a message to employees that management considers strong ethics a high priority. When reviewing your current ethics policy, ensure the policy is:

- Tailored to your industry
- Written in clear, plain language
- Accessible to employees at all levels

•Reinforced frequently

•Filled with examples of real-life acceptable and unacceptable behavior

•A directive to appropriately respond to incidents using confidentiality and objectivity

•An outline for consistent enforcement and discipline for violations

The key to successful fraud prevention is making everyone in the company accountable for detecting and reporting illegal or suspicious behavior—and that's only possible when the ethics policy is clearly communicated and employees understand what the organization considers to be acceptable and unacceptable behavior.

Including an antifraud element within your ethics policy will deter most employees who are inherently honest from committing fraud. We suggest including a definition of fraud such as "the intentional distortion of financial statements or other records by persons internal or external to the company which is carried out to conceal the misappropriation of assets or otherwise for personal gain."

However, setting a policy, defining fraud, or providing examples of unacceptable behavior isn't going to suffice unless internal controls are in place to back it up. Communication with your team on ethics is important. Don't be afraid to talk about the risk of fraud or to conduct a fraud risk assessment with your team. Actively including team members in the conversation reinforces the tone at the top that fraudulent behavior is unacceptable and controls are in place to protect the organization from fraud risks.

From our experience, suspects in fraud investigations rarely have a history of unethical behavior that would show up in a background check. This is further supported by the Association of Certified Fraud Examiners' Report to the Nations on Occupational Fraud and Abuse. Based on its 2014 study, only 18

percent of fraudsters were punished or terminated by an employer for a fraud-related offense. This doesn't mean that a background check is obsolete because it rarely detects a red flag. A background check is a time-tested, simple control that's easy to implement. However, we see time and again that simple controls are only partially used, unmonitored, or simply nonexistent, which allows the opportunity for fraud to flourish undetected. Other examples of good controls include safe cash counts, bank reconciliations, supporting schedules for general ledger balance sheet accounts, or verification that expected cash deposits make it to the bank.

READ: KNOWING WHEN TO ACT